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TOKYO GAZETTE

A MONTHLY REPORT OF CURRENT POLICIES,
OFFICIAL STATEMENTS AND STATISTICS

VOLUME IV
No. 8

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JAPAN'S FOREIGN RELATIONS IN 1940

(Department of Foreign Affairs)

ON THE NEW ECONOMIC STRUCTURE

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DOCUMENTS CONCERNING JAPANESE-
AMERICAN RELATIONS

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The material in the TOKYO GAZETTE is selected mainly from the *Weekly Report*, edited by the same Board. The accuracy and comprehensiveness of data presented in the *Report* are fully established. For the benefit of students of Japanese affairs, the TOKYO GAZETTE is endeavouring to maintain these qualities in the hope that its publication will eliminate unfortunate misunderstandings and thus contribute to world peace and international goodwill.

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JAPAN'S FOREIGN RELATIONS IN 1940

DEPARTMENT OF FOREIGN AFFAIRS

AS the fourth year of the China Affair and as the second year of the European conflict, 1940 was a year fraught with events of historic, world significance. While a new world order has begun to emerge with recent developments in the situation in our part of the world as well as in Europe, the activities of the *status quo* Powers intended to arrest the growth of the new order have become increasingly energetic and serious. In the face of such a state of affairs Japan has steadfastly pursued a policy for checking the world-wide spread of the current hostilities and for establishing a permanent peace founded upon the principle that every nation and people should have each its own proper place. It is true that her endeavours along that line have not been appreciated by those Powers, and consequently considerable difficulties were experienced in advancing the cause for which she stood; nevertheless, enormous strides have been made during the past year toward the realization of her rightful purpose in that the Three-Power Pact between Japan, Germany and Italy and the Treaty between Japan and China were concluded. Against this general background, our foreign relations in 1940 will be reviewed in these pages.

Japanese Foreign Policy

Non-involvement in the European War, which had marked Japanese foreign policy since the outbreak of the hostilities, underwent no change under the new Cabinet of Admiral Mitsumasa Yonai which succeeded, on January 16, to the Abe Cabinet, and its main efforts were concentrated upon the settlement of the China Affair. Thus steps were taken to cope with the progress of the plan for the establishment of the new Central Government in China while keeping a careful watch on European developments and their possible repercussions in this part of the world.

In the meantime, there took place an incident which made the Japanese aware of the possibility of such repercussions. On January 21, the Japanese liner "Asama Maru," which was on her return voyage to Yokohama from Honolulu, was visited off the coast of Baso Peninsula by a British man-of-war, which took the forcible measure of removing 21 German passengers without valid

grounds. Thereupon the Japanese Government, on January 22, lodged a vigorous protest against the British Government through Sir Robert Craigie, British Ambassador at Tokyo, and at the same time carried on negotiations with the British Government through Mr. Mamoru Shigemitsu, Japanese Ambassador at London. On February 5, the British Government stated that it was unable to accept the validity of the legal arguments contained in the Note of the Japanese Government, that as an earnest of its desire to reach an amicable settlement of the case, it was, while reserving all its legal rights, prepared to release nine of these men who are unsuitable for military service. Accordingly, on January 29, these men were handed over to the proper Japanese authorities off the Yokohama harbour and the case was settled.

When the hostilities in Europe spread to Northern Europe and the German advance into the Low Countries was reported as well, Mr. Hachiro Arita, our Foreign Minister, enunciated, on April 15, the policy of the Japanese Government concerning the maintenance of the *status quo* of the Netherlands East Indies. Thereupon, Mr. van Kleffens, Netherlands Foreign Minister, made it clear that his Government have no intention whatever of altering the *status quo*.

When the German advance into the Low Countries actually took place on May 10, our Government made representations to Germany, Great Britain and France, expecting them to share the same views with Japan regarding the maintenance of the *status quo* of the Dutch colony. At the same time the Government called the attention of the neutral countries, the United States and Italy, to its deep concern over any development that would affect the *status quo* of the islands. To these communications the British Government on May 13, the Netherlands Government on May 15, and the French Government on May 16, respectively, sent replies agreeing to the Japanese views on the question. Subsequently, the Netherlands by the surrender of her army came under the control of Germany, but the *status quo* of her colony in the East Indies underwent no change.

In the face of the new situation created in Europe by German military successes, it became imperative for Japan to establish the Greater East Asian sphere of common prosperity by enlarging her programme for the construction of a new order in East Asia. Accordingly, she began to negotiate with the Dutch colony for strengthening the economic collaboration of the two countries. In the meantime, the Yonai Cabinet resigned, and on July 22, the second Konoe Cabinet was organized. The new Cabinet decided to send there Mr. Ichizo Kobayashi, Minister of Commerce and

Industry, as a special envoy. Arriving in Batavia on September 11, Mr. Kobayashi commenced negotiations with Mr. van Mook, the chief delegate of the colony, which mission was successfully handed over later to Mr. Kenkichi Yoshizawa, new envoy, who is continuing negotiations there at this writing.

Tripartite Pact

The advent of the second Konoe Cabinet was marked by the start made by the Japanese nation in the establishment of a new national structure capable of meeting the rapid changes in the European situation, in the setting up of a highly organized structure for national defence and also in a *volte-face* in Japanese national policies, domestic as well as foreign.

An important European development that had a vital bearing upon our position in East Asia was the capitulation of France in June. The Japanese Government took steps, in this connection, to effect a speedy settlement of the China Affair, first by closing the Burma and French Indo-China routes, and then by despatching Japanese forces into the French colony on September 23.

The most significant step, however, was the conclusion of the Tripartite Pact on September 27. The ultimate purpose of the Pact, as has been made clear, is to establish a lasting world peace by ensuring a new order of things wherein every nation of the world will be given each its own proper place. To that end the three countries have agreed to stand by and cooperate with one another in their efforts in Greater East Asia and in Europe, respectively. Thereafter several other countries adhered to the Treaty—Hungary on November 20, Rumania on November 22, and Slovakia on November 23—thereby augmenting its power and influence as the basic factor in the construction of a new world order.

Recognition of the New National Government in China

The movement for establishing a new Central Government had been under way in China since the previous year. On March 12, memorial day for the late Dr. Sun Yat-sen, Mr. Wang Ching-wei, its leader, proclaimed in Nanking the reconstruction of China through peace and announced the establishment of the New National Government. Accordingly, the Japanese Government enunciated, on March 13, its attitude of positively supporting the new Government. Thereupon, necessary constitutional and legisla-

tive steps were taken by the Chinese leaders to complete the organization of the Government as well as to decide on the policy of adjusting relations with Japan. It was announced, in that connection, that Mr. Wang Ching-wei should act as deputy chairman of the Government until the return to Nanking of Mr. Linsun, who was then in Chungking. On the gala day of April 26, rites were enthusiastically performed in celebration of the return of the capital to Nanking.

To these actions taken by the Chinese leaders, the Japanese Government heartily responded, and despatched to Nanking General Nobuyuki Abe, former Prime Minister, as a special envoy. Since his arrival on April 23, four months had been devoted to negotiations for the purpose, and on November 30, General Abe and Mr. Wang, the plenipotentiaries of the two nations signed the Treaty Concerning the Basic Relations between Japan and China, the Protocol annexed thereto and the Agreed Terms of Understandings, following which the Plenipotentiaries of Japan, Manchoukuo and China signed the Joint Declaration of the three countries. Thus not only relations between Japan and China have been readjusted but also the collaboration between the three countries, including Manchoukuo, were irrevocably affirmed. This was certainly a gigantic stride in the construction of a new East Asia on a basis under which the Greater East Asian sphere of common prosperity might be established.

Anglo-American Collaboration against Japan

As has been stated, with the progress of our programme for East Asia and for the Greater East Asian sphere of common prosperity in particular, activities of the United States and Great Britain relating to the South Seas region by way of counteracting Japanese policy there, as well as those in aid of the Chiang Kai-shek régime became increasingly overt and intense. The result was a growing tension in Anglo-Japanese and Japanese-American relations, from which situation we have not emerged at this writing.

With regard to Japanese-American relations, indications of their aggravation first appeared at the time of the notification, on July 27, 1939, by the United States government of its intention to abrogate, on a six-months' notice, the Japanese-American Treaty of Commerce and Navigation. Despite every effort made by the Japanese authorities to readjust relations, no response was made by the American authorities, with the result that a treatyless situation has been created since January 26, 1940. On the other hand, aid to the

Chungking régime, in the form of a 20,000,000 dollar additional loan was announced, on March 7, by Mr. Jesse Jones, Federal Loans Administrator. A new loan of 25,000,000 dollars made public, on September 25, three days after the publication of the advance of Japanese forces into French Indo-China, by the Export and Import Bank at Washington was no other than another reinforcement to Chungking's strength. After the conclusion of the Tripartite Pact, American aid to the Chiang régime was more and more intensified. Thus, following the signing of the basic treaty between China and Japan, the accommodation of a huge loan amounting to 100,000,000 dollars was published on December 1.

The other type of American policy against Japan took the form of economic measures, which were first seen in the abrogation of the Treaty of Commerce and Navigation, as has been explained, and later in the ban on exports to Japan. Even prior to the conclusion of the Tripartite Pact, that is, on October 26, President Roosevelt ordered an embargo on exports of scrap iron and steel to Japan, effective as from November 16. Besides, in connection with the aid to be given to Britain, there is in progress a programme for armament expansion on a gigantic scale. There is also a rumour to the effect that the common defence and joint use of naval bases in the Pacific are being considered seriously. Advice given on October 8 for the evacuation of Americans residing in East Asia might have had something to do with the aforementioned American policies.

Following in the American footsteps, the British Dominions and Colonies, such as Canada, India, Malay and others, adopted an embargo on exports of copper, tin and other materials to Japan. The British Government, as if vying with the American loan of 100,000,000 dollars referred to elsewhere, published on December 10, the loan of 10,000,000 pounds to be accommodated to Chungking.

The reopening of the Burma Road to traffic on October 18 must be remembered also as an indication of the British attitude toward Japan. It is recalled that on July 17, the route was closed for three months by the agreement reached on July 17, between Mr. Hachiro Arita, our Foreign Minister, and Sir Robert Craigie, British Ambassador to Japan. The expiration of that term gave an occasion for this British aid to Chungking.

Soviet Russia and Other Countries

The place of the Soviet Union in our foreign relations has of late become increasingly important. Efforts were exerted, therefore, to readjust the relations between the two countries, following the

conclusion of the Nomonhan Truce on September 15, 1939. The signing, on December 31, 1939, of the Protocol concerning the prolongation for one year of the duration of the Japanese-Soviet Fishery Convention¹ of January 23, 1928, the meeting in conference, at Harbin, in January, 1940, the Commission on the precise demarkation of the frontier in the Nomonhan area, and the opening of negotiations for a trade agreement in the same month, were the fruits of such efforts. The readjustment of relations in general, however, have since made little progress, and the matter is being taken up again, at this writing, by our new Ambassador at Moscow, Lieutenant-General Yoshitsugu Tatekawa, who was appointed by the Konoe Cabinet after the turn of the tide of affairs following the conclusion of the Tripartite Pact.

With regard to relations with France since her capitulation, most of our negotiations have been related to her colony in Indo-China, whose position might have a vital bearing upon the settlement of the China Affair and consequently upon the construction of the new order in East Asia. Thus a representation was made to the French Government, on June 19, regarding the prohibition of the transportation through French Indo-China of war materials and goods in aid of the Chiang Kai-shek régime, requesting at the same time that the French Government should consent to the dispatch of Japanese inspectors for the purpose of making investigations of actual conditions on the spot. To that request the French Government consented on the following day, and the Japanese Inspection Commission headed by Major General Issaku Nishihara arrived in Hanoi on June 29. Since then negotiations for the readjustment of relations with French Indo-China had been conducted first in Hanoi and then in Tokyo, with the result that a military agreement was reached on September 22. Thereupon Japanese forces advanced into the French colony. Furthermore, the Japanese Government dispatched Mr. Hajime Matsumiya, special envoy, to the colonial capital in October, with a view to promoting economic cooperation in connection with the Greater East Asian sphere of common prosperity, which resulted in the dispatch of a French delegation to Tokyo. At this writing negotiations are going on smoothly and in a most friendly atmosphere in Tokyo.

Our review of the past year will not be complete without mentioning the conclusion, on June 12, of the Treaty between Japan

¹ As this goes to press, it is reported that a *modus vivendi* concerning the fishery question had been signed on January 21, 1940, at Moscow and, at the same time, the appointment of a mixed commission concerning the new treaty which is to be concluded within the present year agreed upon.

and Thailand concerning the continuance of friendly relations and mutual respect of each other's territorial integrity. The furtherance and solidifying of friendly relations with Italy, achieved through sending, in March a mission headed by Mr. Naotake Sato, former Foreign Minister, and the promotion of economic relations between Argentina, Mexico and Spain through the visit of missions from those countries in February, April and July, respectively, must also be noted as no less important diplomatic moves during the year.

In thus looking back upon the major events in our foreign relations during the past year, what looms large as the most vital factor in determining our future action is the move of the United States, under President Roosevelt elected for the third term, in connection not only with Pacific affairs but also with the European War. To comment on this outlook, interesting as it would be, is beyond the scope of the present article. It may be permissible, however, to hope that the wisdom and intelligence of her leaders will prevail over popular excitement and sentimentality and in particular over forces that would ultimately lead to the destruction of human civilization.

ON THE NEW ECONOMIC STRUCTURE

BOARD OF PLANNING

MODERN war is the greatest consumer of goods and materials. As has been witnessed today, its demand for them is almost unlimited. This characteristic was already noticeable in the last World War. The total German output of steel in 1913, for instance, was approximately 17,000,000 tons, with a monthly average of 1,400,000 tons. In the last two years of the hostilities her munitions industry alone consumed that metal up to 1,000,000 tons per month. In Great Britain, on the other hand, the pre-war military consumption of wool, which represented less than 1 per cent of the civilian consumption, amounted, in 1917, to the volume corresponding to the total annual demand of the country—an increase nearly of a hundredfold. In all these cases, however, the increase of supply had not kept pace with that of demand since the very beginning of the War. In order to wage a successful war, therefore, it becomes imperative for a modern nation to curtail the general demand for goods in accordance with the wartime capacity to supply, and consequently to take such measures as to determine priority in supply on the basis of the demand for war materials and to carefully plan for the balancing of supply and demand. Such being the case, in modern war, bitter struggles for ensuring a sufficient supply of goods and materials, along with the armed conflict, will be carried out on the entire economic front; and for the gaining of the mastery of the enemy all conceivable means in all phases of economic activity will be employed by each warring nation. Nor is it to be wondered at, under these circumstances, that such a nation will make the utmost efforts in economic warfare, reorganizing its economic system on the basis of autarchy.

Expansion of Productive Capacity

The Japanese economic system is accordingly called upon today to maintain an unqualified superiority over any of the potential enemies in economic warfare as well as in the armed conflict, ensuring a sufficient supply of war materials without depending upon the resources of other countries. Hence there arises an urgent necessity of the expansion of productive capacity. However, in order to augment the capacity to produce for the immediate purpose of

national defence on the basis of the given resources, such a method as to make war industries more profitable than any other enterprise must be adopted. This method will necessarily result in the absorption of materials by the munitions industry, causing thereby an imbalance in the supply and demand of general civilian goods. Furthermore, in order to maintain predominance over other industries in the production of goods, the munitions industry must raise the prices of its goods *ad infinitum* over those of other goods. It is evident, therefore, that this method is an unfeasible one.

The other method is to control production, distribution and consumption in general. As a matter of fact, this method has been employed in Japan since the outbreak of the China Affair. Accordingly, national productive resources are classified into three categories: namely, those for the repletion of war materials, those for the expansion of the munitions industry and those for guaranteeing the people the minimum necessities of life, thereby controlling the operation of national economy in all phases of production, distribution and consumption. It is regrettable, however, that the result of this measure seems to have fallen short of expectations. The failure has been attributed, to no small extent, to inefficiency in the control technique of bureaucracy, but its basic causes lie, in reality, in the defects of controlled economy itself.

These methods, founded upon the liberal principles in the liberal economic structure, have tried to direct, as occasions required, the operation of national economy to certain definite courses by the exercise of the legal as well as administrative powers. Therefore, private enterprises are carried on in accordance with their own purposes managing them with a view mainly to obtaining a maximum profit. There is no system of coordination or control among them, but free competition has reigned. In other words, these private enterprises have not been operated as units or coordinated parts of national economy. Consequently, control has tended in restricting economic freedom, to take the form of negative injunctions such as, "These goods must *not* be produced"; or "Do *not* use these materials beyond the quotas"—an endless series of "must-nots" and "do-nots." It implies that you may do anything unless otherwise specified. The search for the loop-holes in the "must-nots," has now become the chief concern in the economic operation. If standards of size and quality were set on certain commodities, these standardized commodities would immediately disappear, and non-standardized goods would take their place in the market. And if prices were fixed on certain commodities, they would speedily pass out of sight in the market, which, in turn,

would be flooded with non-controlled goods. Under these conditions, however, a smooth economic operation cannot be expected, particularly when there exists shortage both of labor and materials as is the case today. Inevitably, "must-nots" will increase their numbers until there will be left no freedom in the liberal economic system itself. The term "restrictive economy" expresses in a way the real situation.

The Immediate Objective of the New Structure

In view of the above situation voices have been raised of late for the revision of excessive control. The measures referred to as "excessive control" have not been enforced unnecessarily; they have their *raison d'être*. It is not excessiveness of control but its shortcomings that should be condemned. The new economic structure, therefore, aims, first of all, at the lubrication and adjustment of wartime economy by revising the *modus operandi* of restrictive economy which has thus far caused, to a certain extent, a shrinkage in national economy and diminished its vitality. Furthermore, control by authority is liable to set up the controlling and the controlled in opposition to each other, thereby creating the tendency of distrust between the two parties and developing an undesirable situation of alienating the people from the government. Accordingly it has become very evident that the establishment of a new economic structure is a matter of urgent necessity. This task can be achieved only by the planned operation of the economic system, that is to say, by carrying out a comprehensive planned-economy.

As previously mentioned, in order to meet huge production requirements on the basis of the given productive capacity, namely, labour, materials and capital, it is inevitable that the order of their urgency should be determined, their scope be regulated, and productive resources be distributed in accordance with national purposes. And as such planned production is enforced, it will also become unavoidable that the distribution and consumption of materials should be planned. Thus a comprehensive programme for the operation of national economy will be established.

It is impossible to accomplish the objective, however, by leaving the private enterprises to manage their own affairs. They should be coordinated and unified as units of national economy. To this end two methods may be adopted: the first is State management or nationalization of industry. The establishment of a great number of government-controlled corporations,

as is seen today, is based upon this principle. However, nationalization of enterprises or management of private enterprises by government-controlled corporations is to repudiate private enterprises and the use of their experience and efficiency. Such repudiation is not only contradictory to the best utilization of the resources, both human and material, but also apt to diminish national productivity. This is not then the method to be adopted under the current emergency when there is urgent call for the closest cooperation between the Government and people and for the highly effective utilization of the resources.

The second is to coordinate and organize all enterprises as units of national economy, making such a structure the centre of economic operation. By so doing the State can exercise its unitary control over the enterprises for the accomplishment of national purposes. Through the working of the above structure the State can establish the most effective economic planning, enabling each individual enterprise to perform its assigned function. In other words, the private enterprises cease to operate according to their individual purposes. Such organization involving this method was decided upon at the recent meeting of the Cabinet Council as a new economic structure.

The Supreme Economic Council

Various theses have been advanced by different private economic organizations regarding a new economic structure, but they are, on the whole, quite similar in character. The only difference between them and the Government plan relates to a central supervisory agency or the Supreme Economic Council. Since the Government has made clear that a supreme agency for controlling the entire industry shall be established as occasions demand, it recognizes the necessity of such a central organ. It is, however, not only difficult immediately to set up such a supervisory agency covering all industries, but also may hinder the smooth working of the new economic system. Consequently, the Government has provided that the organization not of one but of several supervisory agencies shall be established on the principle of priority, beginning with the basic industries. It is evident, therefore, that the Government is prepared, in the operation of national economy, to place itself in a position mainly to carry out the general supervision and guidance of industries through those agencies in such a way as to leave room for their own autonomous supervisory activities. Under the present administrative system, however, governmental control will very

likely result in such complexities as "wheels within wheels." To set up the Supreme Economic Council without reorganizing the administrative mechanism will certainly aggravate this tendency.

The present administrative system, built essentially upon economic liberalism, does not necessarily fit well for carrying out a comprehensive economic planning as contemplated. It is necessary, therefore, that the Government agencies in charge of economic activities, which function today in merely supervising and assisting private enterprises from outside, should be reorganized as an agency for definitely participating in the operation of planned economy, a complete reorganization which is made possible only through organizing governmental and private economic mechanisms into a unitary system. Without taking such steps, the establishment of the Supreme Council will only create various frictions. For this reason the Government has made clear that in keeping with the perfection of the new economic structure the administrative machinery shall be reorganized and its functions be redefined. Thus the creation of the Supreme Economic Council has been deferred.

How the New System Will Work?

With regard to the question as to how the new economic system will work, the following account will explain it. When the State is in need of 10,000,000 tons of iron to be produced this year, the Government will notify the fact to the leaders of iron interests. Taking their recommendations into consideration, the Government will order the leaders to turn out the said amount of the metal, on the basis of the given labour and materials and of the specified qualities and prices. In this case, the said leaders are not only responsible to the State for the necessary production but also are vested with the power to decide the means of production and direct the enterprises for ensuring the required output. They will allot to each member producer the production quotas in accordance with the determined policy on condition that full play shall be given to production efficiency by coordinating the entire equipment, labour and materials. Producers, with these given quotas, are responsible to the leaders for the required amount, and on their own initiative and according to their abilities they are to choose the means and methods of production.

In this way the leaders of producers' groups will naturally have the power of supervision and leadership over the members of their groups and a voice in appointments and dismissals of those engaged in the enterprises concerned, as they are responsible to the Govern-

ment for the economic activities of each member producer. And the organization of these industrial groups is a machinery by which the Government will direct planned economy in conformity with the will and aims of the State. Further, throughout the entire process of organization and working of the system the principle of leadership must permeate, and from the leader of the highest group down to the lowest the leadership relation must be clarified. On this point the Government plan specifies that the economic groups shall be managed by the directors who are authorized by the Government upon the recommendation of their members, and that, in putting important policies and plans into practice, the economic groups of key industries shall direct the sub-structural groups and their members. Besides, the leaders of the groups are authorized to make inquiries into the operation of production, distribution and other activities, and to test the standards and qualities of the products, with a view to assuring the efficient working of their organizations.

In view of the above-mentioned functions of the groups, their legal status should be that of juristic persons. Since, however, they cannot be defined in terms of the existing laws relating to industrial and other associations, a new law must be enacted to legalize their status.

Basic Purpose of the New Structure

The basic objective of the new structure, as has been repeatedly stated, is to establish a system which will ensure the most effective utilization of the entire national strength. The modern economic system in Japan, due to its short history and to a scarcity of raw materials available for heavy industries, has been one centring on the industries related to such consumers' goods as textiles. The present world situation, however, calls for the immediate establishment of the heavy industry and expansion of productive capacity on the basis of self-sufficiency. Japan is accordingly required to reorganize her existing industrial setup which has been inadequate to meet the current national demand.

What is required first of all is to create a structure under which the combined strength of the given materials, labour and capital can be most effectively employed. This necessity has become particularly urgent since the conclusion of the Tripartite Pact in 1940. Nothing short of the realignment of the entire resources will be sufficient to meet the current crisis.

For effecting such a realignment, two methods may be thought

of. The one is the combination of enterprises and the other the organization of a cooperative type of production and management. What is adopted in the proposed new structure is the latter method relating to cooperative production and management.

Reorganization On the Cooperative Basis

A prerequisite for carrying out the second method is to organize national economy as a comprehensive cooperative system embracing all the enterprises as its units, which are grouped according to industries and their sub-divisions. This is no new idea. Such an all-embracing organization aiming at the establishment of the planned economic structure has already been explained. What needs to be emphasized, in this connection, however, is that each component unit must be organized as a body managed on a cooperative basis and that the groups of such bodies must also be managed on the same basis.

In this manner all enterprises can be managed most rationally and efficiently under a unified control. In the new structure, when necessary, productive operations may be concentrated upon certain enterprises having highly efficient and superior equipment, and in other circumstances part of the equipment may be operated, thereby eliminating waste in materials, labour and productive efforts and enhancing the productivity of the existing equipment. This is a decided advantage of the new system, and, therefore, this must be the system whereby the present emergency can be successfully met. Briefly, what is essential in the working of the new system is to establish the leadership principle founded upon the will of the State and at the same time to enable industrial enterprises and their groups to give full scope to their initiative and efficiency, with the consciousness that they are sharing in the responsibility of carrying out the national economic programme.

FIFTY YEARS OF THE IMPERIAL DIET

SECRETARIATE OF THE HOUSE OF REPRESENTATIVES

A red-letter day in the constitutional history of Japan was November 29, 1940, when the Imperial Diet entered upon the 50th year of its significant existence. The occasion was, therefore, solemnly celebrated in the august presence of His Imperial Majesty at the assembly hall of the House of Peers. By way of remembering that historical occasion, and with a view to renewing our devotion to the constitutional government peculiar to Japan, essential functions as provided for in the Imperial Constitution and as viewed from the statistical records prepared by the Secretariate of the House of Representatives are explained in the following.

Constitution and the Diet

That the parliamentary system of a country should be provided for in its Constitution is a practice common to all modern States. In the case of Japan, however, the system is peculiarly connected with the Imperial Constitution from the very beginning of her constitutional government. The Emperor Meiji in granting the Constitution fixed the date of its coming into force as "the time when the Imperial Diet will be inaugurated." Accordingly the Constitution has been in force as from November 29, 1890, when the 1st session of the Diet was convened. In providing for the amendment of the Constitution, the Emperor was pleased to state in the Preamble to the Constitution. "Should there come in future a time when certain provisions of this Constitution became necessary to amend, We or Our Descendants who succeed to the Throne shall take the initiative of proposing the amendment to the Diet and the Diet shall vote for it as prescribed by the Constitution; otherwise Our Descendants or subjects may not affect the alteration of any of its provisions." Since the essential functions of the Diet are all provided for in the Constitution, they cannot be altered, even slightly, unless the Constitution is so amended.

The functions of the Diet as an important agency for assisting the Throne consist chiefly in participating in legislation. Nor can the function of indirectly supervising administrative affairs be overlooked, as has been expounded by Prince Hirobumi Ito, the foremost authority on the Constitution. For this purpose the

Constitution and the Parliamentary Law provide for the rights of the Diet and its members to accept the petitions of subjects, to address memorials to the Throne, to make propositions to the Government, to make interpellation, and to supervise national finance. That such important rights have been bestowed upon the Diet besides its function to approve legislative and budgetary measures can be accounted for by the fact that both Houses of the Diet are agencies to make known the will and desires of the governed. In this respect, the House of Representatives may be nearer to the popular will in that the House may be dissolved and, that it enjoys the right to prior consideration of the Budget. When the popular will is conveyed to the Government through these channels provided for in the Constitution, the Government has to take it up for consideration as prescribed by the Ordinance Governing the Organization of the Cabinet. The leaders of the movement for constitutional government in the Meiji Era advocated the establishment of the Diet system by pointing out the fact that, where there was no room for giving full play to the popular will, there would be no stimulus for the people to express themselves for the service of the State, and consequently there would be no enhancing of national strength. In the current emergency in which radical renovations in all phases of government are urgently called for, the most important initial step should undoubtedly be the wise operation of the Diet system.

Some Statistical Data

Statistics prepared by the Secretariate reveal many interesting facts. The total number of sessions, to begin with, is 75, while that of general elections is 20, the election to be held in 1941 being the 21st one. Since the number of dissolutions is 16, the elections held on the expiration of the regular term of the members numbers only 3. An astounding figure is seen in connection with the number of votes in the elections, which totals 67,683,413—the figure not far from 72,875,800, representing the total estimated population of Japan proper for 1939. By these votes 8,134 members have been elected to the House of Representatives; however, there being not a few who have been elected many times, the real number is 3,339, among whom are included the present incumbents. The term of one session, as provided in the Constitution, is 3 months which are officially numbered as 90 days. To this number must be added that of days required by extraordinary sessions, which is to be decided each time by Imperial Order, as well as that required by the

extension of the terms. The actual number of days accordingly totals 4,152, corresponding to 11 years and 4 months.

The figure relating to the minutes of the proceedings forms another wonder. Their pages, as printed in the supplement to the Official Gazette, total 36,078. As this figure relates only to the proceedings of the plenary sessions, if that relating to the proceedings of committee meetings is included, it will increase by nearly eightfold. The publication of the minutes is one important means by which the public are informed on the proceedings, and the other is through admittance of the public to Diet sessions. Thus the number of those admitted to the Diet in session reaches 1,365,802, with an average per session of 40,000 in round numbers. The highest figure recorded in this connection is 59,568, representing that for the 59th session in 1930, which is almost twice the number of the visitors to the 1st session, numbering 23,035.

With regard to the bills passed by both Houses, it is recorded to be 2,578. The most interesting figures, however, are those relating to the budgetary measures. The budget for the General Account approved at the 1st session was 83,514,028 yen, while that for 1940 approved at the 75th session amounted to the colossal sum of 6,097,331,434 yen. A staggering figure is seen in the total amount of budgets for the General Account voted for by the Diet during these 50 years, which is no less than 61,732,324,072 yen.

NEW MEASURES FOR CONTROL OF LAND AND HOUSE RENT

DEPARTMENT OF WELFARE

THE Ordinance Pertaining to Control of Land and House Rent, which functioned effectively for the past year as one of the important measures for ensuring security in the life of the home-front population, expired on October 10, 1940. The control will continue to be exercised, however, by virtue of the new Ordinance for Control of Land and House Rent promulgated as Ordinance No. 673 on the same day. An exception is made to the enforcement of the new Measures in the case of overseas territories where the old Ordinance will remain effective until July 1, 1940, when it will be superseded by the new Ordinance.

In the main, the control as contemplated by the new Ordinance is somewhat similar to that of the old Ordinance. In principle, the land and house rents obtaining prior to October 20, 1940, remain as they are, while the rent fixed on newly built houses, etc. is left to the parties concerned for their mutual agreement. In case, however, such a rent is excessively high, the prefectural governor is authorized to cause its reduction. The only difference between the two ordinances is that the new Ordinance sets no limit in respect of the term of operation as in the old Ordinance. Thus, unreasonably high rents for newly leased land and newly built houses will be prevented hereafter. At the same time, a fair measure of profit will be ensured to encourage the management of the business of letting land and houses and a reasonable standard for rent has been prescribed in order to eradicate causes leading to scarcity of houses. Moreover, out of the experience gained in the operation of the old Ordinance, provisions have been perfected for the tightening of the necessary control.

In the following a brief account will be given of essential points in the new Ordinance.

Rent Subject to Control

Land and house rents subject to control as provided for in the new Ordinance are substantially similar in scope to that of the old Ordinance. The scope embraces the rent of such pieces of land as are leased for the purpose of owning houses erected upon them,

or upon which superficies are created for a similar purpose as well as the rent of houses to be leased, including rooms forming a part of the building (Art. 2). The "leased house" herein referred to includes every building, regardless of its use or structure. Since a room forming a part of a building is regarded as a "leased house" under the new Ordinance, room-rent or room-charge for a lodging house, apartment or building¹ will all be subject to control by the new Ordinance. The "leased land" herein referred to must be for the purpose of erecting a house on it which may be subject to ownership. Accordingly, any land leased as a gravel yard or a place for unloading cargoes is not subject to control, as contemplated in the new Ordinance. The Ordinance for Control of Prices, Etc., which governs leases in general is applicable to the rent for these places. The leasing of farm land comes under the Ordinance for Control of Farm Rent. The case of sub-leases is governed, as already mentioned, by the new Ordinance, provided it falls in the category of leased land and houses.

Maximum Rent

The new Ordinance provides for the fixing of a maximum rent for land and houses. No lessor will be allowed to raise the rent, despite any change in the lessor or lessee (Art. 3, para. 1). Any act, under whatever pretext, which tends to relieve any person from the application of the restrictive measures, is strictly prohibited (Art. 14). With regard to the interdictory provisions against evasions from the application of the law, the old Ordinance provided that "the lessor may not, under whatever pretext, demand from the lessee of the land or the house any benefits to be derived from property, other than those stipulated in the contract for the leased land or leased house" (Art. 6). Thus the lessor was prohibited from making an explicit demand upon the lessee. In order to attain an effective control of rents, however, the new Ordinance has enlarged and accentuated such prohibitions, both explicitly and implicitly (Art. 3, para. 1).

The maximum amounts of rent, as prescribed by the new Ordinance, are specified in the following sections (1) and (2):—

(1) *In respect of land or a house the rent whereof was in existence after August 4, 1938, but prior to October 20, 1940, the last rent thereof existing prior to October 20, 1940.*

For such leased land or houses, the maximum rent had been fixed, as in the following, in pursuance of Art. 3 of the old Ordinance,

¹ In this case, the term applies to a western style office building.

and no increase beyond that amount had been permitted.

(a) As for the rent for land or a house, which was existing on August 4, 1938, the maximum rent shall be the rent as of the said date (if such rent is unascertainable, the initial rent known as existing subsequent to the said date); however, in respect to rent which has been altered due to extension operations or rebuilding undertaken after August 5, 1938, but prior to October 20, 1939, such rent shall be the initial rent after the completion of such extension operations or rebuilding.

(b) As for cases which are not covered by (a) and in which the rent of land or houses came to be in existence during the period between August 5, 1938, and October 20, 1939, the maximum rent shall be the initial rent subsequent to August 5, 1938. If such rent is unascertainable, and in case the rent has been altered due to extension operations or rebuilding, similar provisions in (a) will apply.

(c) As for cases which are not covered by (a) and (b) and in which the rent for land or houses came to be in existence subsequent to October 20, 1939, the maximum rent shall be the initial rent determined after October 20, 1939.

It follows, therefore, that there should have existed, prior to October 20, 1940, the day when the new Ordinance came into force, no rents for land and houses which were in excess of the amounts as specified in (a), (b) and (c). Hence the new Ordinance provides that in respect of land and houses for which there existed rents subsequent to August 4, 1938, but prior to October 20, 1940, the last rent existing prior to October 20, 1940, shall be the maximum amount. In other words, the new Ordinance has adopted the same amounts as prescribed by the old Ordinance as the maximum, thereby causing the rents to remain stationary.

Some of the rents as specified in the foregoing (a), (b) and (c) have been increased with the approval of the prefectural governor, or reduced by his order, in accordance with the provisions of the old Ordinance. In such cases, however, either the increased or reduced rent is deemed as the rent specified in (a), (b) and (c). In order to make such rent the maximum amount, therefore, the new Ordinance has provided specifically "the last rent for land or a house received prior to October 20, 1940." This provision is in no wise designed to recognize any unwarranted increase in rent which was prohibited by the old Ordinance. On the contrary, should there be any case of violation of the Ordinance, it will be duly punished, and the amount of increase deemed legally null and void. Thus the last rent, or the maximum amount of rent as provided in the new Ordinance, is equivalent to the rent specified in (a), (b) and (c).

(2) *In respect of land or a house whereof the rent was in existence after*

October 20, 1940, which is not covered by the provisions of (1), the initial rent received after October 20, 1940.

This applies to a house newly built and rented after October 20, 1940, or to a building, which had been used as a private dwelling but which was converted into a house for rent after the said date, or to land rented for building purposes after the same date. In case land or a house, not leased to any person on October 20, 1940, is to be leased to another, the provisions of (1), and not of (2), are applicable; provided, however, that such land or house was leased to others between August 4, 1938, and October 19, 1940. The result is that the rent for land or a house provided in (1) constitutes the maximum amount. However, the provisions of (2) apply, if it was actually rented prior to August 3, 1938, but was not rented between August 4, 1938, and October 19, 1940. In these cases, which come within the purview of the provisions of (2), the rent for land or a house initially determined after October 20, 1940, is considered the maximum amount, as was in the old Ordinance. The parties interested may fix the rent to suit themselves, but once it is determined, no lessor is allowed to raise it arbitrarily. When it is unreasonably high, in the light of the just and fair standard of rent, which will be explained later, the prefectural governor may order the lessor to reduce it. In order to make it more effective, the new Ordinance provides that the rent provided in (2) shall be reported to the prefectural governor within 14 days from the day when the rent is determined (Art. 3, para. 2). Failure to report as provided above is subject to punishment in accordance with the National General Mobilization Law, as in the case of a person who has raised the rent beyond legal limits.

Just and Fair Standard of Rent

The underlying idea for setting up a standard of just and fair rent, as already referred to, is to forestall any extortionate rate likely to be charged for land newly let or a house newly built, and to eradicate any causes which may bring about scarcity of houses for rent. When this purpose is fully realized it will contribute more than anything else to the solution of the current housing problem.

Standard Rent For Land

A standard rent for land (computed by the year) represents the amount equivalent to the price of land multiplied by the ratio which the prefectural governor has fixed (Art. 4 of the Regulations pertain-

ing to operation of the Ordinance). The price of land as referred to in the Ordinance is the last price on land acquired prior to August 4, 1938, or the assessed value of land as determined by the prefectural governor on August 4, 1938, in case no price is available or if a price is unascertainable or excessive (Art. 5). The prefectural governor is authorized to increase the price of land, in case the lessor has improved and paid up charges borne by the beneficiary after August 5, 1938; to reduce it in case the lessor has collected a premium for leased land; and to revise it in case circumstances warrant (Art. 6).

In conformity with the principle governing the standard of rent, the prefectural governor is to properly classify the area under his jurisdiction and make public announcement of the terms of leased land, in keeping with local conditions, such as methods of paying land-rent, premium, security money, and charges for maintenance costs which become the basis for determining the rent, as well as the ratio by which the price of land is to be multiplied (Art. 11). In fixing such ratio, the prefectural governor, is required to obtain the approval thereof from the Minister of Welfare.

Standard Rent for Houses

A standard rent for houses (computed by the month) represents the sum total of (1) the amount of money as obtained from the price of a house multiplied by the ratio which the prefectural governor has fixed, (2) the land rent or the amount of money equivalent to the same, and (3) the amount equivalent to the just and fair fire-insurance premium. In case of a lodging house, apartment or building, expenses for services (such as electricity, gas, water and other charges borne by the lessor) shall be added (Art. 7 of the Regulations pertaining to operation of the Ordinance). The price of a house represents the sum total of (1) the cost of the main structure, (2) of subsidiary equipment (electricity, gas, water, sewage, gate, fence, barn, etc.), and (3) of furnishings (Art. 8). When the lessor has received a premium in connection with a leased house, the amount equivalent to it will be deducted (Art. 9).

As in the case of standard rent for land, the prefectural governor will notify the ratio by which the price of a house is to be multiplied, along with the terms of lease or what becomes the basis in the determination of house rent, such as the method of paying the rent, security money, premium, charges for repairs, etc. As for the expenses for services, only the actual costs will be taken into consideration.

In determining this standard for land and house rent, what has been recommended, on September 3, 1940, by the Central Com-

mission for Formation of Prices has been adopted on the whole. According to the recommendation, the rate of land rent is to be 4.2 per cent under the terms that "payment shall be deferred; no security money be collected; and the term of lease to be 30 years."

The rate of house rent is to be 1.14 per cent of the cost of the main structure and 1.55 per cent of the cost of accessory equipment and furnishings, in the case of an ordinary wooden house, under the terms that "the lessee shall bear the charges for special equipment necessary for using the building for shop or factory; the lessor shall bear expenses for repairs, (the lessee will pay for changing papers in paper-slide doors, or panes in glass doors); the rent is to be on the basis of deferred payment; the premium shall not be collected; and the security money, if collected, shall be less than the amount of rent for 3 months.

With regard to the standard rent for rooms forming part of a house, the rent for a living room is determined by the ratio of the total floor space of all living rooms in a building to the floor space of a living room in the same building, as calculated on the basis of the standard rent for that house. The ruling is applicable with necessary modifications to any room other than the living room (Art. 12). The general criterion is secured by the proportionate division according to the floor space of a room or rooms. At the same time location, ventilation and lighting in each room are taken into consideration. As a matter of fact, it is difficult to set up any standard applicable to all cases, since the leased land and houses vary a great deal on account of their location, surroundings, architecture, the age of their structure and the arrangement of gardens.

When deciding the aforesaid ratio and terms of contract, the prefectural governor will fix them as he considers them just and fair on the basis of the most prevalent terms of lease in the locality concerned and according to the actual state of things there. In case the terms fixed by the prefectural governor as the basis of rent are found unfeasible or unfair, the only alternative is to determine the rent by the parties concerned according to actual conditions.

Thus it is seen that, while the standard rent *per se* is not compulsory, the prefectural governor is authorized to order the lessor to reduce the rent or alter the terms, in case he deems the rent newly fixed as unfair in the light of the standard rent, or in case the burden of the lessee is heavier if the standard rent is applied. Since the standard rent is intended to apply to a newly built house, or to cases where land or house rent was not fixed between August 4, 1934, and October 19, 1940, any rent and terms of lease in existence

on October 20, 1940, need not be altered by the standard rent. Neither can the existing rent nor the terms of lease be arbitrarily changed, except in cases where the lessee is placed in a favourable position.

Raising or Lowering of Rent

A. *Permission for the Raising of Rent*

As mentioned previously, the increase in land or house rent is prohibited in principle. In cases, however, where there are reasons specified by the Minister of Welfare, the increase may be permitted with the prefectural governor's approval (Art. 4, para. 1).

Such cases are those coming within the purview of any one of the following provisions, wherein the land or house rent provided in each number of Art. 3, para. 1, of the new Ordinance, is deemed conspicuously low (Art. 2 of the Regulations pertaining to operation of the Ordinance):

1. Where the lessor has effected improvements in respect of leased land, or extension operations or rebuilding in respect of a leased house;
2. Where taxes or other levies on leased land or a leased house have been increased;
3. Where there is an increase in the expenses for light, costs of articles of consumption and other services in a lodging house, apartment or other leased house of similar nature;
4. Where terms of lease have been altered to the advantage of the lessee;
5. Where there are circumstances corresponding to any of the preceding numbers or other special reasons.

Nos. 1 and 2 correspond to Nos. 1 and 3, Art. 1 of the Regulations pertaining to operation of the old Ordinance which together with the old Ordinance itself, became null and void. No. 3 is the provision by which the charging of actual costs of service is recognized. No. 4 provides for cases where the bearer of costs of furnishings and their repairs be changed from the lessee to the lessor. As a matter of fact, this is merely legalizing the practices which have heretofore been recognized. No. 5 corresponds to No. 4 of the Regulations pertaining to operation of the old Ordinance. It provides for cases where there are special reasons, such as charges or contributions having been collected in connection with the land or house in question and the lessee a member of the family or surviving family of a person called to the colours to whom a special low rate has been granted.

The rent for land or a house may be raised only when the aforementioned circumstances exist, and also when the conspicuously low rent was admitted after the investigation of the existing rent in all its bearings, such as location, surroundings, use, age, and maintenance and preservation of the building, as well as the amounts of rent received in the past. Hence, a mere existence of "special reasons" will not constitute sufficient ground for raising rent. It must be noted in this connection that the old Ordinance was an emergency measure effective for one year and was not intended to permit the raising of rent on the ground that the existing rent was exceedingly low. The new Ordinance, while lifting, on the one hand, all restrictions on the orders to be issued by the competent authorities for the reduction of rent, provides, on the other, for the investigation of the grounds for its increase as stated in No. 5, in case the existing rent is found to be too low.

B. *Reduction of Rent*

Although the raising of rent is strictly prohibited, except in cases where special permission is granted, no restriction is placed on its reduction. This does not imply, however, that the new Ordinance will recognize existing unreasonable rents. When the rent existing prior to the enforcement of the present Ordinance is found to be excessively unreasonable, or when the newly fixed land and house rents such as those for newly built houses, are found to be unreasonable in the light of the just and fair standard for rents, the prefectural governor may order the lessor to reduce the said rent (Art. 6). As the old Ordinance was an emergency measure, it did not provide for ordering the reduction of the rent existing on August 4, 1938. The new Ordinance has removed such limitations and provides for reduction in land and house rents in general.

C. *Alteration in Systems of Payment*

In actual practice systems of payment of rent vary considerably. In most cases a definite amount of rent is fixed in terms of so much yen per month. In others, payment in kind is adopted, such as so much *koku* of unhulled rice. Another system is to pay in terms of the value of so much *koku* of unhulled rice at the time of payment, or by a certain percentage of sales proceeds in a shop.

Such being the case, difficulties arise when the system of payment in kind is to be converted into that of payment in a definite sum of money, or from the latter system into that of payment by a percentage of sales proceeds, etc. And a question may be raised, whether such

a change may not constitute an infringement of the ban on the increase of rent. With a view to clarifying such ambiguity and to strengthen the control, the new Ordinance provides that such changes require the permission of the prefectural governor (Art. 7).

D. Determination of Room Rents According to Standards and Terms Approved by the Prefectural Governor

Since the provisions of Article 2 of the new Ordinance apply to a lodging house, apartment and building, the rent for each room of these houses is being controlled. Such control, however, is frequently inconvenient to the management of these types of leased houses. Moreover, a simplification of the intricate terms of rent is essential in order to exercise a consistent and thorough control. Accordingly, it is provided in the new Ordinance, that associations of lessors or other organizations of similar character should determine the standard room rent and other terms of lease from each member and to obtain an approval thereof from the prefectural governor. And the room rent fixed according to the approved standard shall be in lieu of the existing room rent, and be considered the maximum rent of such a room (Art. 8).

When the prefectural governor intends to effect an approval, permission or an order, as referred to in A, B, C and D, he is required to refer the matter to the Commission for Investigation of Land and House Rent (Art. 10). A Commission has been established in each prefecture since last year.

When deemed necessary, the prefectural governor may attach conditions or restrictions to the approval or permission as provided in A, C and D.

Control of Terms of Lease Other than Rent

The contract for leased land or houses contains various terms other than payment of rent; such terms as security-money and charges for repairs cannot be considered separately from the rent. Should these terms remain unregulated the purpose of the control will become practically nugatory. As in the case of the old Ordinance, therefore, the terms of lease other than rent specified by the Minister of Welfare will be placed under the same kind of control as is effected on the rent (Art. 13).

The terms specified by the Minister of Welfare and subject to such control, will be "security-money, charges for repairs and furnishings and for services in a lodging house, apartment and other house of similar nature, payment of rent, premium given to the lessor by

the lessee, and other terms concerning property benefit." (Art. 17 of the Regulations pertaining to operation of the Ordinance).

With regard to these terms, except in cases where the prefectural governor has granted permission for reasons aforementioned, no change shall be effected to the disadvantage of the lessee in respect of charges borne by him. Thus, in respect of land or a house for which the rent was in existence prior to October 20, 1940, the charges borne by the lessee prior to the said date, and in respect of land or a house for which the rent was newly fixed due to the construction operations effected after October 20, 1940, the initial charges borne by the lessee may not be changed to the disadvantage of the lessee. When these terms are considered highly prejudicial to him, the prefectural governor may order the lessor to alter them in the same manner as in the case of rent reduction.

Supervisory, Transitional and Other Provisions

When deemed necessary, the prefectural governor may order the lessor to keep books concerning land or house rent or to put notices in conspicuous places easily observable by the lessee concerning rent and other terms in the case of a lodging house, apartment, or any other house of similar nature (Art. 11). Likewise, as in the case of the old Ordinance he may, if deemed necessary, call for a report on the leased land or leased house from the lessor or the lessee, or may send the officials concerned to the leased land or leased house for inspection (Art. 12).

The permission, order or application for permission effected in accordance with the old Ordinance will be deemed to have been effected in pursuance of the new Ordinance (Art. 19).

All the following provisions shall remain effective even after October 20, 1940:

Article 13 of the old Ordinance providing for the obligation of the lessor to restore to the normal level rent higher than the maximum rate (as provided in Art. 3 of the old Ordinance) existing prior to October 20, 1939; Article 14 of the same Ordinance providing for the treatment of increased land or house rent as a result of court action, mediation or arbitration; and Article 15 of the same Ordinance providing for the application, with necessary modifications, of Articles 1, 3 and 4 to terms other than land or house rent.

CONCERNING JAPANESE-AMERICAN RELATIONS

I

—Address of Mr. Joseph C. Grew, United States Ambassador
to Japan, at the Japan-America Society Luncheon,
on December 19, 1940—

We are honored today by the presence of His Excellency the Minister for Foreign Affairs, and on behalf of the Society I extend to him a cordial welcome. Mr. Matsuoka knows the United States very well, and I venture to believe that from his intimate associations there he has the same sort of personal affection for our country as I have for Japan. Such personal affection, when it exists, may sometimes exert its influence even on international affairs. Mr. Matsuoka and I have a way of talking to each other very frankly and straightforwardly, sometimes on the record and sometimes off the record, because I believe that neither of us has much use for the old school formulas and restraints of diplomatic intercourse. Thus we know pretty well where each of us stands on any given issue, and we agree or disagree on those issues with frank objectivity. Such mutual freedom in the give and take of discussion can only be helpful to both, and we both have plenty to do in these times of international difficulties and in this sadly distraught world of ours. The Society fully appreciates the Minister's consideration in taking valuable time from his intense schedule to address us today. I have the honor to introduce His Excellency, the Foreign Minister.

II

—Address of Mr. Yosuke Matsuoka, Foreign Minister, at the
Japan-America Society Luncheon, on December 19, 1940—

Mr. Chairman, Excellencies, Ladies and Gentlemen,

It is an honour as well as a pleasure for me to be invited to this distinguished and delightful gathering. I am very happy to take part in this reunion of good old friends who are all devoted to the cause of promoting better understanding between Japan and America. In fact, I feel so comfortably at home among you, that I am tempted to confide to you a bit of private information as to how I came to be accorded the treatment, thanks to Admiral Nomura, of a free luncheon in this time of stress and strictly managed economy, and that at the expense of the good members of the Japan-America Society. When I approached Admiral Nomura for the post of Ambassador to the United States, the Admiral, showing not the slightest consideration for our old friendship, was adamant in his refusal. At first it looked hopeless. The obstinate, I might even say obdurate, Admiral stuck to his guns. But I refused to be scared away. I went back at him

again and again, and many a friend of both his and mine levelled guns at him. In truth, I pitted my stubbornness against his stubbornness, and as days sped on I became even curious to see which would rub away, his or mine. Finally, at the end of a three months' siege and attack, this stubborn Admiral capitulated. Certainly I was proud of my victory. However, I came very soon to realize that I fought the battle on my own ground, i.e. terra firma, and not in the sailor's element. That was not fair for the Admiral, but was a thing on which Japan is to be congratulated and may be for America, too. In any case, I wouldn't see myself compelled to meet him on the high seas!

Admiral Nomura needs no introduction. He is referred to in our press as a "Big Gun." You know he is in every sense a "Big Gun," physically and mentally, and I feel sure that it is powerful and big enough a gun to shatter any and all possibility or potentiality, if there is any, of a clash in the Pacific.

Admiral Nomura is not a professional diplomat, and yet he is a highly gifted diplomat. That has been abundantly demonstrated at Washington, D. C. and other posts abroad as well as during the tenure of his office as Foreign Minister in the Abe Cabinet. He is, moreover, a distinguished sailor, as you all know. Each sail that skims the horizon braves the dangers of the sea and the skipper is responsible for the safety of the entire crew. The very quality that distinguishes a successful sailor, it appears to me, is also the quality needed for a successful diplomat. The vast and deep ocean upon which stately ships move is eminently suited to cultivate a largeness of mind and foster self-confidence and common sense. It builds up, in short, a character that inspires confidence. In the person of our new Ambassador, the American people will find a true Japanese, every inch of that six footer, but at the same time a vehicle of international trust and confidence. We must recover confidence among nations, that is what the world so badly needs at this moment!

I am confident that Admiral Nomura will prove a worthy successor to Mr. Horinouchi who, ably assisted by his charming wife, has won the heart of the Americans. Might I be permitted to take advantage of this occasion publicly to tender Mr. and Mrs. Horinouchi my deepest appreciation and thanks for their untiring efforts for the cause of American-Japanese friendship?

I think the days of small things are now definitely over. We must think big and act big. It is no time to deal in small changes. We must trade in larger currency—or rather, ingots of gold. Namely, we must see eye to eye regarding each other's position and policy. In this connection, it may not be irrelevant to recall a witty French saying: "an equivalent of Napoleon does not make a Napoleon." I admit that it is not quite proper to compare Admiral Nomura to Napoleon but, for obvious reasons, the French never had a coin named after Nelson.

The appointment of Admiral Nomura, I may say, is an eloquent indication of what my Government have in mind in regard to Japan's relations with the United States of America. I owe it to candour to admit that the relations between our two countries are severely strained at this moment. Now, the causes that have brought about the present unfortunate

deterioration are, of course, many and manifold, but the fundamental cause, let me be frank, is American misapprehension of Japan's aims and aspirations. I shall forego to explain at length our viewpoint, lest I should spoil your appetite. Only let me observe a few words. Contrary to impressions current in America and elsewhere, Japan is not waging an imperialist war of greed and aggression in China. It is not a war of conquest or covetous ambitions. We are engaged in a moral crusade. You may, if you like, ladies and gentlemen, laugh or shrug your shoulders at it, but I am sure time will prove it; fifty years hence, or in less a time, history will testify to it. We are fighting not for destruction but for construction. We are endeavouring to initiate an era of enduring peace and unlimited prosperity, based on justice, equity and mutuality, in Greater East Asia, where, we firmly believe, we have a great mission as the civilizing and stabilizing force. We stand for peace and order. We shut the door nowhere and to none. Any nation that desires to take a hand in this great task is welcome. But mind you, there shall be, "no conquest, no oppression, no exploitation under the New Order" which we conceive! We are as much against Japan herself committing these iniquities in the future. We will not be induced to deflect from our settled course, whatever the pressure or whoever the detractor. This, in short, is the basic attitude of my Government. When I say we must trade in larger currency, I mean to imply that rather than quarrel about minor grievances, we should try to look in a big way at the fundamentals of the situation now confronting us.

Japan's ideal, the ideal bequeathed from time immemorial, from the time of the very foundation of the Empire, is to enable all nations to take their proper places in the world. It is my humble opinion that the world should be reorganized and reformed in a more rational way as, for instance, crystals are formed according to the law of nature. Minerals of different nature agree between themselves as to which of them shall give way to the other at their junction, and take their permitted shapes and allotted shares of space, yielding or being yielded to, as they build up a perfect crystal. When the international society is crystalized in a similar manner in accordance with the spirit of justice and equity, then and then only will a genuine and lasting peace prevail throughout the world. The new order we envisage is a realization of such an international society, which we intend to begin by setting up in this part of the world under our leadership. The Pact of Alliance recently concluded by Japan, Germany and Italy points to the same goal.

It seems to me that this world of ours is too wide politically and too narrow economically. While economic activities should be world wide and should suffer no limitation, our political efforts had better be restricted to only those spheres in which we are vitally interested, and not be extended to other people's domains. If regional peace is effectively secured through regional understanding, the world will, by its aggregation, be able to enjoy a universal peace. This has been my idea all through since the adoption of the Covenant of the League of Nations at the Versailles Conference. The recent Havana Conference is a case in point, being an attempt to ensure peace and order in the Western Hemisphere through a regional

cooperation.

Speaking of the Three-Power Pact, a section of the American people have, wilfully or otherwise, misunderstood our purpose and are accusing Japan of harbouring hostile intentions towards America. Nothing can be more absurd and untrue. Japan has no desire whatsoever to antagonize America, or for that matter, any nation. We want to maintain and even enhance our friendly relations with all nations. We only desire, on one hand, to be left alone, so that we may carry on our constructive work unhindered, and on the other hand, to see the trouble in China and the war in Europe brought speedily to an end, without adding more participants, particularly such a powerful one as America. Imagine just for a moment that America joined the European war or came to a clash with Japan in the Pacific. What then? If any bit of human feeling or an atom of instinct for self-preservation is left in you, ladies and gentlemen, wouldn't you shudder at the very thought? Would not a kind of ice-water shoot down your spine? There would loom up every chance of facing at last the Armageddon that would end in a total destruction of our culture and civilization. I do beseech my American friends to think twice, thrice, nay, ten, a hundred or a thousand times before they take a leap that may prove fatal to all Humanity. In this connection, I wish to leave no doubt whatever in the mind of any American citizen the fact that Japan is, and will remain, loyal to her Allies; that Japan's foreign policy will revolve in the future around the Three Power Pact as its pivot, as it did around the pivot of the Anglo-Japanese Alliance in the past when that Alliance was in force. This, of course, implies no threat. It is a simple statement of truism made in order to prevent possible misapprehensions. For, an illusion on an issue like this will bring no good to anyone.

At this point, permit me to refer only cursorily to the China problem. After all, the fate of China is largely a question of sentiment to the Americans, but to us it constitutes a truly vital issue affecting, as it does, the very existence of our Empire. We are confident regarding the future and are not without hope as to an early restoration of peace in China which, by the way, will automatically liquidate the difficult situation which has engendered the present tension between Japan and America. In this sense, the new Chinese Central Government at Nanking may be regarded as the harbinger of better times, "Daffodils that come before the swallow dares." It is my firm conviction that once the basic and broader aspect of the situation is rightly taken in by the Americans, they will not only not oppose our endeavours but will even join efforts with us in furthering our high aims. My proposition is that we, both of us, shall not blink at realities, however unpalatable they happen to be, but shall try earnestly and honestly to understand each other's position with sympathy and in a spirit of mutual accommodation. For this, we must clear our mind of cant and avoid the folly of "rubbing the sore when one should bring the plaster" which sometimes thoughtless, not to say malevolent, people are apt to do.

The public is often the dupe of public opinion. Giddy minds and foreign affairs make an undesirable company. Some people simply cannot think of international relations but in terms of clash and conflict. Some-

how they cannot think in terms of concord and cooperation. There are pessimists, not to say alarmists, in both countries who believe in the inevitability of a major conflict in the Pacific. That would surely spell the downfall of mankind. Do we not owe it to Humanity, both Japan and America, to unite our efforts and do our best to avert such an awful calamity?

In wishing Godspeed to Admiral Nomura, I pray most fervently, that he may successfully fulfil his mission which is to usher in a happier period of mutual trust and better understanding between our two great nations. Waves may rise high in the Pacific Ocean but we trust in the courage and resourcefulness of Admiral Nomura as a skilful and tried seaman safely to take us to the port. Neither shall we forget the fact that although we only see the white sail tossing on the rough sea, the ship does not lose its balance because of the ballast which remains invisible to our eyes. That ballast is the common sense of our two peoples.

And so I close this address with an earnest appeal to the common sense of our two peoples to maintain calm judgment and quiet self-restraint, in the face of the appalling and unprecedented world situation. Let us keep our heads clear and cool. Let us go slow and take time. Let us try to learn and make sure. There is ample time for us to think and make up our mind. Eternity before us, why over-hurry? Half a century is but a passing moment and will fill merely one brief paragraph in a history book.

Is it too much for Japan to ask for so much of a minute, just half a century or even less, in which to prove herself to the world? Time is the great curer of human travail. Let us all have a bit of patience. This is my appeal.

III

—Address of Admiral Kichisaburo Nomura, Ambassador to the
United States, at the Japan-America Society
Luncheon, on December 19, 1940—

Mr. Chairman, Excellencies, Ladies and Gentlemen,

I am a plain sailor. I was brought up amid tall masts and crowded sails, and am accustomed to rough seas. I am, however, a complete stranger to elegant society, its speech and its manner. In spite of my brief experience as Foreign Minister, I was not meant to be an Ambassador. Indeed, a sailor is quite helpless on the land; he is reduced to perfect impotence, like a stranded boat. In the tangled wood of diplomacy, he would be just as good as lost. Being well aware of my ignorance how to shine in graceful society and how to walk upon the tight rope of diplomacy at this critical juncture, I first declined Mr. Matsuoka's kind offer, although I greatly appreciated it as a mark of confidence which I know I hardly deserve. I held out as long as I could and then gave in. I could defeat an Invincible Armada but not Mr. Matsuoka—because he refuses to acknowledge his defeat.

However, both the Foreign Minister and I were agreed on one thing from the first: the necessity of drastically improving the relations between

Japan and America which have deteriorated so much of late. I felt frankly disturbed by the ominous tread of affairs which, if left unchecked, may possibly bring about an acute tension between the two countries who have no reason to quarrel but every reason to remain friends. After much hesitation, therefore, I decided to accept the offer, rather in the heroic spirit of a common sailor who is called to the Colours. Swim or sink, survive or perish, I do not care. I am anxious only to serve—to serve the cause of better understanding between our two nations.

When the Four-Power Pacific Treaty was announced at the Washington Conference the late Senator Lodge quoted a well-known poet to describe the Pacific islands:—

“Sprinkled Isles
Lily over lily that overlaces the seas.”

These islands are still there, as of old, in spite of swift and surprising changes we have been witnessing in the international situation. I believe that God has ordained these “sprinkled isles” to serve not as hostile bases but as stepping stones of goodwill between the two shores of the Pacific Ocean—Japan and America.

Ladies and Gentlemen, the Light has gone out in Europe, where nations have been thrown into the fearful vortex of a great war. Let us then, Japan and America, guard the peace of the Pacific, the only bright light of hope now left to mankind.

CONCERNING THE EXCHANGE OF RATIFICATIONS OF THE JAPANESE-THAI TREATY

—Statement of the President of the Board of Information,
December 24, 1940—

As announced at the time of its conclusion by the Foreign Office, namely, June 12 of this year, the purpose of the Japanese-Thai treaty is as follows:

1. To respect mutually each other's territorial integrity and reaffirm the peace and friendship existing between them.
2. To exchange information and consult one another regarding any question of common interest that may arise.
3. In the event of one of the High Contracting Parties being attacked by any third Power or Powers, the other Party undertakes not to give aid or assistance to the said Power or Powers. The treaty is effective for five years.

Now that Japan is devoting all her efforts to the establishment of a sphere of common prosperity in Greater East Asia, the treaty is to be one that makes a valuable contribution toward the political progress of East Asia. In view of the fact that it is not, in spirit and letter, such a passive treaty as the so-called non-aggression treaty but a progressive one, it is clear that both Japan and Thailand intend to make it a basis for their friendly relations.

It is indeed a source of gratification that the treaty has now come into effect.

TREATY BETWEEN JAPAN AND THAILAND CONCERNING THE CONTINUANCE OF FRIENDLY RELATIONS AND THE MUTUAL RESPECT OF EACH OTHER'S TERRITORIAL INTEGRITY

ARTICLE 1

The High Contracting Parties shall mutually respect each other's territorial integrity and hereby reaffirm the constant peace and the perpetual friendship existing between them.

ARTICLE 2

The High Contracting Parties shall mutually maintain friendly contact in order to exchange information, and to consult one an-

other, on any question of common interest that may arise.

ARTICLE 3

In the event of one of the High Contracting Parties suffering an attack from any third Power or Powers, the other Party undertakes not to give aid or assistance to the said Power or Powers against the Party attacked.

ARTICLE 4

The present Treaty shall be ratified and the ratifications thereof shall be exchanged at Bangkok, as soon as possible.

ARTICLE 5

The present Treaty shall come into effect on the date of the exchange of ratifications and shall remain in force for five years from that date.

In case neither of the High Contracting Parties shall have given notice to the other six months before the expiration of the said period of five years of its intention to terminate the Treaty, it shall continue operative until the expiration of one year from the date on which either Party shall have given such notice.

SPECIAL JURISTIC PERSONS TAX LAW

(TOKUBETU-HÖZIN-ZEI HÖ)

Law No. 26 of March 29th of the 15th Year of Syowa (1940)

ARTICLE 1

Special juristic persons having a principal place of business in the area where the present law is in force shall be liable to pay special juristic persons tax in accordance with the provisions of the present law.

ARTICLE 2

"Special juristic persons" within the meaning of the present law include the following juristic persons:

1. Industrial associations and federations of industrial associations.
2. Commercial associations and federations of commercial associations (excepting those which do not require contributions of their members, member associations or member federations).
3. Manufacturers' associations and federations of manufacturers' associations (excepting those which do not require contributions of their members, member associations or member federations).
4. Exporters' associations and federations of exporters' associations (excepting those which do not require contributions of their members, member associations or member federations).
5. Fishers' cooperative associations and federations of fishers' associations.
6. Joint-facilities associations for sericulture.
7. The Central Chest for Industrial Associations.
8. The Central Chest for Commercial and Manufacturers' Associations.

ARTICLE 3

The special juristic persons tax shall be imposed on surplus funds of special juristic persons.

SPECIAL JURISTIC PERSON TAX LAW

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ARTICLE 4

The calculation of the surplus funds of a special juristic person shall be made by deducting gross losses from gross profits during each business year.

In the calculation of surplus funds referred to in the preceding paragraph the amount of dividends in accordance with the volume and value of commodities handled and the extent of business carried by special juristic persons shall be included in the loss.

In the calculation of surplus funds referred to in the first paragraph the amount which has been or is to be paid by a special juristic person in each business year as special juristic persons tax shall not be included in the loss.

In the calculation of surplus funds referred to in paragraph 1, losses sustained during business years which began within three years preceding the date of the beginning of the current business year of special juristic persons, and as prescribed by Ordinance, shall be included in the loss.

Particulars of calculation of surplus funds referred to in paragraph 1 other than those provided in the preceding three paragraphs shall be prescribed by Ordinance.

ARTICLE 5

In the calculation of surplus funds during each business year of special juristic persons in accordance with the provisions of Article 4, an amount representing 70 per cent of the amount of the interest on national bonds received during the period held, should any be held by such special juristic persons, shall be deducted, as prescribed by Ordinance, from the surplus funds of such special juristic persons.

ARTICLE 6

If the amount of surplus funds of a special juristic person existing prior to the deduction effected as prescribed by the preceding Article does not exceed an amount corresponding to 3 per cent of the paid-up capital, no special juristic persons tax shall be imposed on such special juristic person.

The calculation of the amount of the paid-up capital referred to in the preceding paragraph shall be made as prescribed by Ordinance.

ARTICLE 7

When a special juristic person has been dissolved or extinguished by merger in the course of a business year, the period of time, from

the beginning of such business year to the dissolution or merger, shall be reckoned as one business year.

ARTICLE 8

A special juristic person continuing to be in existence after merger or a special juristic person formed by merger shall be liable to pay special juristic persons tax in respect of the surplus funds of the special juristic person extinguished by the merger.

A special juristic person formed on account of division is liable to pay, jointly with the other special juristic person formed on account of the division or the special juristic person continuing to be in existence after the division, special juristic persons tax in respect of the surplus funds of the special juristic person extinguished by division or the surplus funds prior to division of the special juristic person continuing to be in existence after division.

The preceding two paragraphs shall apply with necessary modifications to juristic persons, other than special juristic persons, continuing to be in existence after the merger or division, or organized by the merger or division of special juristic persons.

ARTICLE 9

The rate of special juristic persons tax shall be 6 per cent.

ARTICLE 10

Every special juristic person liable to pay the tax shall declare the amount of surplus funds to the Government as prescribed by Ordinance, attaching the inventory, the balance sheet, the profit and loss accounts, and the detailed statements of the paid-up capital and of the surplus funds calculated in accordance with the provisions of Article 4 and Article 6, paragraph 2.

The preceding paragraph applies with necessary modifications to the case where a special juristic person has not an amount of surplus funds liable to special juristic persons tax.

ARTICLE 11

The amount of surplus funds of a special juristic person shall be determined on the basis of the declaration under the preceding Article. In default of such declaration, or should the declaration be deemed improper, it shall be determined on the basis of investigations by the Government.

ARTICLE 12

When it is necessary for the purposes of investigation, the Chief

of the Tax Office or his deputy may question a special juristic person or examine its books, documents and things.

ARTICLE 13

When the amount of surplus funds of a special juristic person has been determined in accordance with the provisions of Article 11, the Government shall notify the special juristic person thereof.

ARTICLE 14

Should a special juristic person be dissatisfied with the amount notified by the Government in accordance with the provisions of the preceding Article, the special juristic person may, within 20 days from the day of receipt of such notice, apply to the Government for a reinvestigation, stating the cause of its dissatisfaction.

Even when application has been made under the preceding paragraph, the Government will not defer the collection of the tax.

ARTICLE 15

When an application has been made under paragraph 1 of the preceding Article, decision shall be made by the Government on the basis of a resolution by the Income Investigation Committee under the Income Tax Law.

The provisions of Article 38 and Article 68, paragraph 2 of the Income Tax Law apply with necessary modifications to the decision of the preceding paragraph.

ARTICLE 16

Special juristic persons dissatisfied with the decision under paragraph 1 of the preceding Article may file a petition or bring an action in the Court of Administrative Litigation.

ARTICLE 17

Special juristic persons tax shall be collected in respect of each business year.

ARTICLE 18

When a special juristic person has been dissolved and distributed the remaining property to the members without paying special juristic persons tax, the special juristic person shall be liable to pay the tax jointly with the liquidator.

ARTICLE 19

Persons who have evaded special juristic persons tax by fraud or

other illegal act shall be liable to a fine or minor fine of three times the amount of tax evaded, and the amount of tax involved shall be collected forthwith. But the offence shall not be prosecuted in the case of persons who have confessed it or informed the Chief of the Tax Office.

ARTICLE 20

Persons who have refused, impeded or evaded the examination of books, documents and things as prescribed by Article 12 or who have submitted books and documents containing false entries shall be liable to a fine or minor fine not exceeding 1,000 yen.

ARTICLE 21

Persons who are or have been engaged in the work of investigating or reinvestigating the surplus funds of special juristic persons and have disclosed, without just cause, any secret of which they have gained knowledge by virtue of such investigation or reinvestigation shall be liable to a fine not exceeding 1,000 yen.

ARTICLE 22

The provisions of Article 38, paragraph 3, proviso thereto, Article 39, paragraph 2, Article 40, Article 41, Article 48, paragraph 2, Article 63 and Article 66 of the Criminal Code shall not apply to persons who have committed the offence in Article 19 of the present law.

Supplementary Provisions

The present law shall be enforced as from April 1, 1940.

The application of the present law shall begin with the business year ending immediately after April 1, 1940.

The application of special juristic persons tax in accordance with the present law shall end with the business year ending on December 31 of the year immediately following the year of the termination of the China Affair.

"No. 20 Special Juristic Persons Tax" shall be inserted in Article 1, paragraph 1 of Law No. 21 of the 40th year of Meiji (1907).¹

¹ Article 1, paragraph 1 of Law No. 21 promulgated, on March 27, 1907, in respect of taxation in Karafuto (Japanese Saghalien) reads as follows:—"The following taxes shall be imposed and collected in Karafuto" and gives the names of taxes.

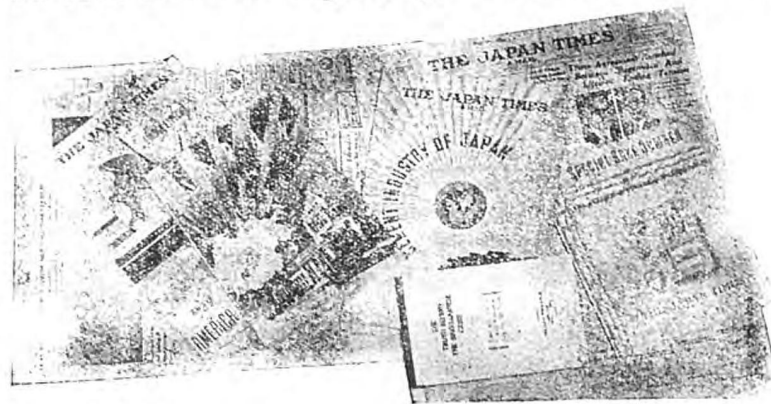
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